

TABLE OF CONTENTS

CHAPTER 1 PURPOSE, ORGANIZATION, AND DUTIES

- 0101 Purpose
- 0102 Organization
- ★0103 Random Review of Disbursement Vouchers
- ★0104 Disbursing Officer Duties and Authority
- ★0105 Accountability and Responsibility
- ★0106 Restrictive Requirements
- ★0107 Punitive Provisions

CHAPTER 1

PURPOSE, ORGANIZATION, AND DUTIES0101 PURPOSE

★ 010101. Authority. This volume of the “Department of Defense Financial Management” Regulation is issued under the authority of reference (a) DoD Instruction 7000.14, “DoD Financial Management Policy and Procedures.” It governs all DoD disbursing policy by establishing and enforcing requirements, principles, standards, responsibilities, procedures, practices, and liability for disbursing officers (DOs), certifying officers and accountable officials throughout the Department.

010102. Recommended Changes. Forward recommended changes to this volume through channels to: Office of the Under Secretary of Defense (Comptroller) (USD(C)), Room 3E822, The Pentagon, Washington, DC 20301-1100.

010103. Requests for Deviation or Exceptions. Submit requests for deviations from or exceptions to the policies, procedures, and standards in this volume, with complete justification, through channels to: Office of the USD(C), Room 3E822, The Pentagon, Washington, DC 20301-1100.

★ 010104. Use of This Volume. Various paragraphs in this volume specify the use of specific Treasury Department symbols (e.g., **F3880, **X6875, or **F3875). In all instances, the double asterisk must be replaced by the appropriate DoD Component designator, i.e., 17 for Navy (including Marine Corps), 21 for Army, 57 for Air Force, or 97 for Defense, as appropriate. This volume also prescribes the use of specific forms. Some of these forms are currently used by the DoD Components. However, some of the DoD Components are using specific DoD Component forms in lieu of the prescribed forms. In many instances, these equivalent forms are generated by disbursing systems currently in operation. It is not necessary for the DoD Components to modify existing disbursing systems to incorporate the forms prescribed by this volume. Affected Components should continue to use existing automated systems and the forms they generate until all existing disbursing systems are replaced by a standard DoD disbursing system. However, all offices that manually prepare forms are required to begin using the forms prescribed herein as soon as supplies of the forms can be obtained through normal supply channels. Examples of forms provided in this volume are for illustrative purposes only. Under no circumstances should they be reproduced for use.

0102 ORGANIZATION

010201. Defense Finance and Accounting Service (DFAS). Pursuant to the authority vested in the Secretary of Defense under the provisions of 10 U.S.C. 113 (reference (b)), the DFAS was established as an agency of the DoD by DoD Directive 5118.5 (reference

(c)). The DFAS is under the direction, authority, and control of the Under Secretary of Defense (Comptroller) (USD(C)). The Director, DFAS is the principal DoD executive for finance and accounting requirements, systems, and functions identified in DoD Directive 5118.3 (reference (d)) and shall:

A. Direct finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establish and enforce requirements, principles, standards, systems, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements.

C. Provide finance and accounting services for DoD Components and other Federal activities.

D. Direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas.

E. Execute statutory and regulatory financial reporting requirements and render financial statements.

F. Approve the establishment or maintenance of all finance and accounting activities independent of the DFAS.

The mailing address for DFAS Headquarters is: Director, Defense Finance and Accounting Service, DFAS-HQ/___, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291.

010202. Defense Finance and Accounting Service Centers. Effective January 20, 1991, the DFAS took operational control of the DoD Component's finance centers. Accordingly, each center was redesignated as a DFAS Center.

A. DFAS-Cleveland Center. The DFAS-Cleveland Center (formerly the Navy Finance Center, Cleveland, OH) is responsible for:

★ 1. Operation of the central site processing operations of the Defense Joint Military Pay System (DJMS) for the Navy.

2. Navy allotment program operations relating to payment of allotments and issuances of the U.S. Savings Bonds for all Navy members and retirees.

3. Examining and conducting a centralized program for the analysis of closed Navy master military pay accounts.

4. Payment of Federal income taxes withheld from Navy members and retirees.
5. Adjudication and payment of claims for military pay and allowances of Navy members and retirees.
6. Payment of drilling Naval Reservists.
7. Payment of retired military pay for all DoD Components and Fleet Reserve rolls.
8. Preparing and forwarding to the Treasury Department through DFAS Headquarters (Finance) (DFAS-HQ/F) requests from assigned Component(s) for establishment of disbursing offices.
9. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
10. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
11. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.
12. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.
13. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.
14. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.
15. Reporting of financial information.
16. Accounting for Navy funds and property.
17. Consolidation of Navy and Marine Corps financial reports.

18. Providing a centralized service for clearance of exceptions against Navy DOs.
19. Processing requests for relief of liability from accountable officials.
20. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Cleveland Center, DFAS-CL/___, Cleveland, OH 44199-2056.

B. DFAS-Columbus Center. The DFAS-Columbus Center (formerly Defense Finance Center, Columbus, OH) is responsible for:

1. Payment of vendor's invoices.
2. Payment of civilian payrolls.
3. Accounting for funds and property.
4. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.
5. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
6. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
7. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.
8. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.
9. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.
10. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.

11. Reporting of financial information.
12. Processing requests for relief of liability from accountable officials.
13. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Columbus Center, DFAS-CO/__, Columbus, OH 43218-2317.

C. DFAS-Denver Center. The DFAS-Denver Center (formerly Air Force Accounting and Finance Center, Denver, CO) is responsible for:

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1. Operation of the central site processing operations of the DJMS for the Air Force.
 2. Air Force allotment program operations relating to payment of allotments.
 3. Examining and conducting a centralized program for the analysis of closed Air Force personal financial records.
 4. Payment of Federal income taxes withheld from Air Force members.
 5. Adjudication and payment of claims for military pay and allowances for Air Force members.
 6. Payment of drilling Air Force reservists.
 7. Payment of civilian payrolls.
 8. Providing a centralized service for clearance of exceptions against Air Force DOs.
 9. Payment of annuitant pay.
 10. Examination and consolidation of Air Force DO's financial reports.
 11. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.

12. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.

13. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.

14. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.

15. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.

16. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.

17. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.

18. Reporting of financial information.

19. Processing requests for relief of liability from accountable officials.

20. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Denver Center, DFAS-DE/____, 6760 E. Irvington Place, Denver, CO 80279-1500.

D. DFAS-Indianapolis Center. The DFAS-Indianapolis Center (formerly Army Finance and Accounting Center, Indianapolis, IN) is responsible for:

1. Operation of the central site processing operations of the DJMS for the Army.

2. Army allotment program operations relating to payment of allotments.

3. Examining and conducting a centralized program for the analysis of closed Army personal financial records.

4. Payment of Federal income taxes withheld from Army members.

5. Adjudication and payment of claims for military pay and allowances of Army members.
6. Payment of drilling Army reservists.
7. Providing a centralized service for clearance of exceptions against Army DOs.
8. Examination and consolidation of Army DO's reports.
9. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.
10. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
11. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
12. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.
13. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.
14. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.
15. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.
16. Reporting of financial information.
17. Processing requests for relief of liability from accountable officials.
18. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Indianapolis Center, DFAS-IN/_
_, Column _____, 8899 E. 56th Street, Indianapolis, IN 46249-0833.

E. DFAS-Kansas City Center. The DFAS-Kansas City Center (formerly Marine Corps Finance Center, Kansas City, MO) is responsible for:

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 - 1. Operation of the central site processing of the Marine Corps Total Force Pay System (MCTFS) for the Marine Corps.
 - 2. Marine Corps allotment program operations relating to payment of allotments.
 - 3. Examining and conducting a centralized program for the analysis of closed Marine Corps personal financial records.
 - 4. Payment of Federal income taxes withheld from Marine Corps members.
 - 5. Adjudication and payment of claims for military pay and allowances of Marine Corps members.
 - 6. Payment of drilling Marine Corps Reservists.
 - 7. Providing a centralized service for clearance of exceptions against Marine Corps DOs.
 - 8. Examination and consolidation of Marine Corps DO's reports.
 - 9. Reporting of financial information.
 - 10. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.
 - 11. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
 - 12. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
 - 13. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.

14. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.

15. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.

16. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.

17. Processing requests for relief of liability from accountable officials.

18. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Kansas City Center, DFAS-KC/_ , Kansas City, MO 64197-0001.

010203. DoD Disbursing Offices. Commanders shall ensure that DOs in their command are following the provisions of this Volume.

010204. Disbursing Officers. The DO shall ensure that the operation of the disbursing activity follows the provisions of this Volume.

010205. Certifying Officers and Accountable Officials. Commanders shall ensure those certifying officers and accountable officials in their command are following the provisions of this Volume.

★0103 RANDOM REVIEW OF DISBURSEMENT VOUCHERS

010301. Examination Requirements

A. General. Overall guidelines for the administrative examination of disbursement vouchers is set forth in Title 7 of the General Accounting Office (GAO) Policy and Procedures Manual. These types of reviews are typically divided into either pre-or-post-payment examinations. The pre-payment phase is needed because internal controls are provided through administrative reviews made by disbursing officers prior to payment. The post-payment phase will begin when supervisory reviews and automated edit checks and computation methods have been demonstrated to provide adequate controls. The overall scope of pre-and post-payment reviews is to ensure the propriety of the voucher, the legality of the disbursement and the accuracy of the facts stated in the vouchers and supporting records. The following paragraphs set forth the requirements for both pre-and post-payment examinations of disbursement vouchers.

B. Sampling Techniques. Stratified statistical random sampling techniques will be used in the pre- and post-payment examination phase of disbursement vouchers. Pre- and post-payment examination procedures and accompanying statistical sampling plans will be approved by the Director, DFAS, or a designated representative, prior to implementation. The Director, DFAS, or a designated representative, will issue detailed implementing instructions for pre- and post-payment reviews and sampling plans for specific applications to DFAS Centers or Operating Locations (OPLOCs) and applicable DoD Components.

C. Reliance on Approved Statistical Sampling Procedures. Certifying officers who rely, in good faith, upon valid statistical procedures to certify a voucher for payment, established and approved by the Director, DFAS, or a designated representative, will not be liable for losses from the payment of a voucher not examined because of the sampling procedure used. A disbursing official shall not examine vouchers administratively for which he/she is responsible for approving or executing payment.

010302. Pre-Payment Examination Requirements. A pre-payment examination is defined as an administrative review that takes place just prior to the voucher being examined for payment. The overall scope of the review is to ensure that the voucher contains the necessary substantiation and documentation for lawful and proper payment. Under manual processing systems, the review will also encompass a verification for accuracy of computation. Some specific areas that should be examined include, but are not limited to:

- A. Validating that the payment is permitted by law and applicable regulation
- B. Obtaining the required administrative authorizations and approvals for payment
- C. Assuring that the request for payment is supported by basic documents
- D. Validating the correct name and address of the payee, as verified by the database
- E. Assuring that manual calculations are correct or appropriate and correct data is inputted to automated computation systems
- F. Charging all transactions properly to the correct appropriation
- G. Assuring that the appropriations are available at the time to support the disbursements
- H. Validating that special certificates or receipts are furnished and attached to the disbursement documents, as required

I. Preventing duplicate payments through proper manual or automated edits and checks

010303. Post-Payment Examination Requirements. A post-payment examination is defined as an administrative review that takes place following the payment of a voucher. These reviews normally will take place at the location where original returns are submitted to a servicing DFAS Center, OPLOC, or a centralized payment center. Also, these reviews will be performed by persons who are independent of the particular entity that prepared and disbursed the payments being examined. Some specific areas that should be examined include, but are not limited to the:

- A. Propriety of the voucher
- B. Legality of the disbursement
- C. Accuracy of the facts stated in the vouchers and supporting records

010304. Document Retention for Examination Purposes. Disbursement vouchers and original documentation prepared at locations other than a DFAS Center or OPLOC should be maintained at the originating location for a period of 6 years and 3 months.

010305. Statistical Sampling Plan. Any statistical sampling plan for pre-and post-payment review of disbursement vouchers will be approved by the Director, DFAS, or a designated representative. Sampling plans must be methodically sound and adhere to technical guidelines set forth in professional texts and publications (both Federal and non-Federal) on the subject matter. All sampling plans submitted for approval will first be reviewed and approved (or in most cases, originally prepared) by a qualified statistician. Once established, sampling and examination plans should be prepared in such a manner as to be implemented and administered by individuals at the functional level. As changes occur in the population under review, whether procedural, technological, or otherwise, quite often audit and accompanying sampling plans must change as well. Statistics collected from sampled population must be periodically analyzed and the sample design adjusted accordingly to reflect most recent trends and any changes in characteristics of the population. The Director, DFAS, or a designated representative, periodically will review statistics and population characteristics from pre- and post-payment examinations to ensure the sample design remains valid, reliable, and most appropriate for the purpose of examination.

010306. Responsibilities. The Director, DFAS, or a designated representative, is responsible for approving any statistical sampling and examination plans for disbursement vouchers. The Director, DFAS, will ensure that approved sampling and examination plans are implemented at those locations for which DFAS is responsible. DoD Component officials will ensure that statistical sampling and examination plans, as approved by the Director, DFAS, or a designated representative, are implemented at locations for which the DoD Component official is responsible.

★0104 DISBURSING OFFICER DUTIES AND AUTHORITY010401. Keeping of Public Funds

A. General. DOs are required to keep safely all the public funds collected by them or otherwise placed in their possession and custody. Lending, using, depositing in banks, or exchanging for other funds except as specifically allowed by law is prohibited. DOs are required to safeguard public funds until ordered by the proper authority to transfer or pay out the funds. When such orders for transfer or payment are received, DOs shall faithfully and promptly make the transaction directed. DOs shall do and perform all other duties as fiscal agents of the the Treasury Department which may be imposed by law or regulations made in conformity to law. In case of disaster, DOs shall secure and preserve the accounts of all personnel, public money, and such other papers and property, in the order of their importance, as circumstances permit.

B. Deposit of Public Funds. Except as otherwise authorized by law and by regulations, it is the duty of every DO to deposit funds in excess of amount authorized to be held at personal risk with an authorized depository of the United States without delay.

010402. Accounting and Reporting. Every DO is required to maintain detailed records of all transactions. These records shall be available for examination by authorized representatives of the Secretary of the Defense and the Comptroller General of the United States. Every DO is further required to submit periodic financial reports.

010403. Specific Authority for Disbursements

★ A. Authority. Public funds shall be received and disbursed by order of, or on proper authority of, the commander, when sanctioned by 31 U.S.C., sections 3321 and 3325 (reference (e)).

B. Legality and Propriety

1. Sanction of Law. Transactions involving payments shall be examined for legality, propriety, limitations, and time frames under the statutes governing the various classes of expenditures and for validity under general provisions of law. There is no authority to disburse public funds to satisfy demands which are of doubtful validity or which should be supported by judicial action.

★ 2. Sanction of Decisions. Effective June 30, 1996, the Legislative Branch Appropriations Act, 1996, Public Law 104-53, transferred the claims settlement functions of the General Accounting Office to the Office of Management and Budget (OMB). OMB

further delegated these functions. Effective October 19, 1996, the Comptroller General's authority under 31 U.S.C. 3529 (reference (e)), to issue advance decisions to agency officials on such transferred claims settlement functions was also transferred pursuant to the General Accounting Office Act of 1996, Public Law 104-316, to the agencies to which OMB delegated the claims settlement functions. Appendix E contains a listing of functions transferred and the responsible offices. DOs are governed by advance decisions and decisions issued on doubtful claims by the authorities listed in Appendix E. Decisions issued are binding on the DOs with respect to the specific issue or claim involved. Decisions rendered by the Comptroller General prior to the transfer of authority are considered useful guidance and are not precedential. Questions concerning the use of appropriated funds are still under the cognizance of the Comptroller General.

★ 3. Sanction of Regulations. A valid regulation issued by the head of an executive department providing for the payment of money under certain conditions by DOs has binding force on the accounting officers of the General Accounting Office. To be valid, a regulation must be reasonable and shall be consistent with the law.

C. Substantiating Vouchers

1. Written Record of Transaction. Unless otherwise provided by law, each transaction conducted by an officer, agent, or employee of the Government of the United States, which when completed shall require the payment of money from the U.S. Treasury or payment to be made by a DO or agent of the Government of the United States, shall be evidenced by a written or printed signed document or series of documents which shall consist of a complete record of the transaction. Each statement of fact contained in such document or documents is to be certified or otherwise verified by a person who, in regular line of duty, has knowledge of the fact or facts certified or otherwise verified by that person, and who, when certification is made, shall state in the certification that the individual has personal knowledge of the facts certified or otherwise verified.

★ 2. Electronic Transactions. The Federal Reserve System (FRS) and the twelve Federal Reserve Banks (FRBs) act as the Treasury's fiscal agent in disbursing by electronic methods. Each disbursing office that processes disbursements by electronic methods shall have a detailed written agreement with the servicing FRB. These agreements contain detailed instructions for controlling tape delivery to the servicing FRB, tape remaking procedures, credit routines, file label requirements, and other details explaining each office's unique requirements. Local operating instructions must be written to implement these requirements. The DO must implement mandatory internal controls for confirmation that the FRB received the EFT payment files successfully and in accordance with the payment schedule. Further guidance on electronic transactions is identified in Chapter 24 of this volume.

3. Additional Evidence. The DO is not required to make payment on merely formal evidence. If the facts do not justify payment, a reasonable explanation or the submission of further evidence should be required.

★ 010404. Alternatives Available in Connection with Questionable Payments. Upon the determination that a matter concerning the receipt or disbursement of public money is questionable in regard to the appropriate public law, previous Comptroller General decisions, court rulings or regulations, a request for clarification shall be addressed to the DFAS Headquarters via the servicing DFAS Center. When, in the opinion of the DO or certifying officer, the matter requires a decision rather than a clarification of existing regulations or decisions, a request for advance decision shall be initiated. Procedures for requesting an advance decision are outlined in chapter 25 of this volume. Refer to Appendix E for the responsible offices on advance decision requests.

★0105 ACCOUNTABILITY AND RESPONSIBILITY

010501. Nature of Accountability

A. General. Accountable individuals are held personally and pecuniarily liable for their acts involving the expenditure of public funds. A DO or other accountable individual shall be charged with all funds received for the Government. Credit shall be received from the General Accounting Office for all public funds expended in accordance with laws and regulations, substantiated and certified in the required form, and accompanied by legal evidence. Credit shall be withheld for irregular, erroneous, or unsupported transactions. Detailed accounts shall be maintained for examination as to their correctness.

B. Knowledge of Laws Governing Disbursements. All accountable individuals, whose duties pertain to the disbursement of public funds, shall take scrupulous care to ensure that all applicable laws are strictly observed.

C. Responsibility for Acts of Another. DOs are accountable for illegal, improper, or incorrect payments or for errors in their accounts even though they may have relied on deputies, agents, and cashiers and the errors were caused by the deputies, agents, and cashiers. A request for relief of the liability for such payments and errors shall be submitted by the DO and may also be required by the deputy, agent, or cashier who made the illegal, incorrect, or improper payment or error. Note: Disbursing officers are not liable for payments properly certified by certifying officers even though those payments may prove to be illegal, improper or incorrect. Certifying officers are accountable for illegal, improper or incorrect payments made as a result of their certification even though they may have relied on other accountable officials or automated payment systems. Certifying officers may request relief of liability for such payments as provided in chapters 6 and 33 of this volume.

D. Payment on Forged or Fraudulent Vouchers or Pay Receipts. A DO is accountable for a payment made on a forged or fraudulent voucher or pay receipt even though not a participant or beneficiary in the fraud. Relief of liability for such payments may be requested by the DO and the deputy, agent, or cashier who made the payment.

010502. Relief of Liability

★ A. General. The Comptroller General of the United States shall relieve disbursing officers and certifying officers of the Department of liability for deficiencies in their account upon a finding that the statutory standards for relief are met as prescribed by 31 U.S.C. 3527 and 31 U.S.C. 3528 (reference (e)). Where a loss (either a physical loss or an illegal, incorrect, or improper payment), is incurred by a disbursing or certifying officer, the determination of the Secretary of Defense that relief should be granted is binding on the Comptroller General.

B. Statutory Standards

1. Physical Loss. The statutory standards for relief of liability for a physical loss are that the:

- a. Official was carrying out official duties when the loss or deficiency occurred.
- b. Loss or deficiency was not the result of an illegal, incorrect, or improper payment.
- c. Loss or deficiency was not the result of fault or negligence by the official.

★ 2. Illegal, Incorrect, or Improper Payments. The statutory standards for relief of liability for illegal, incorrect, or improper payments are:

- a. Statutory Standards for a Disbursing Official
 - (1) The payment was not the result of bad faith or lack of reasonable care; and
 - (2) Diligent collection efforts by the disbursing officials and the agency were made.

- b. Statutory Standards for a Certifying Official
 - (1) The certification was based on official records and the official did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or
 - (2) That the obligation was incurred in good faith;

and (3) That no law specifically prohibited the payment;

(4) That the U.S. Government received value for payment.

(5) Diligent collection efforts were made to recover the payment.

c. Standards for Accountable Officials. See chapter 33 of this Volume.

C. Delegation of Authority

1. Secretary of Defense. The Secretary of Defense has delegated authority to the Director, DFAS to make determinations and recommendations with respect to the granting of relief from pecuniary liability pursuant to 31 U.S.C. 3527 (reference (e)).

2. Director, DFAS. The Director, DFAS has delegated authority to the Directors of the DFAS Centers to make determinations and recommendations with respect to the granting of relief from pecuniary liability pursuant to the authority contained in 31 U.S.C. 3527 (reference (e)) and this Volume. In instances where the accountable individual operates from the DFAS Center, the DFAS Deputy Director for Finance grants or denies relief.

D. Requests for Relief. Procedures and documentation requirements for submission of requests for relief of liability are outlined in chapter 6 of this volume.

★ 010503. Decisions Rendered. A certifying officer or DO certifying or making payments in accordance with advance decisions issued by the appropriate authority, as outlined in Appendix E, is not liable for such payments.

★ 010504. Turnover of Funds Upon Relief. When a DO is relieved of duties because of transfer or any other reason other than deactivation of the disbursing station symbol number (DSSN), all fund account records, public funds, and property shall be turned over to the relieving DO.

★ 010505. Internal Management Controls. Disbursing officers of the DFAS are required to implement and abide by the requirements of the DFAS Internal Management Control Program as set forth in the current edition of DFAS 5010.38-R, Internal Management Control Program. Disbursing officers of other DoD Components or their activities must implement internal controls consistent with the guidelines outlined in this paragraph.

A. Effective internal control procedures depend largely on eliminating opportunities to conceal errors or irregularities. This, in turn, depends on assigning work so that no one individual controls all phases of a transaction.

B. Separation of duties creates a situation that should preclude errors or attempts at fraud or embezzlement from going undetected. Key duties such as authorizing, approving, and recording transactions; issuing or receiving assets; making payments; preparing checks and check signing; certification of funding; and reviewing or auditing shall be assigned to separate individuals to minimize the risk of loss to the Government to the greatest extent possible. The DO should not be assigned duties that create a potential conflict of interest. For example: A payment is made under the DO's DSSN which results in a request for a waiver of indebtedness. If the DO also supervises those individuals involved in the adjudication of requests for waivers, he or she is placed in a position of influence over the decision of the waiver. It also eliminates his or her pecuniary liability for an illegal, incorrect, or improper payment. Appropriate separation of duties is not always practical or possible due to time constraints, manpower shortages, or the use of mechanized systems. For example, payments and collections through the On-Line Payment and Collection (OPAC) system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an erroneous payment is assured. Other situations can require closer scrutiny. The commander and the DO shall: be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result of such; and make every effort to compensate for loss of the internal control. Unique situations resulting in an inability to separate appropriate responsibilities should be reported to the applicable DFAS Center, together with a request for a waiver and recommendations for compensating for the loss of the internal control.

C. Close review of IMC plans, policies, adequacy, compliance, and effectiveness will be the subject of all inspections and audits conducted in all disbursing offices.

★ 010506. Receipts for Payments. A receipt is required for all cash payments. A receipt is not required for payments made by check drawn by the DO except when required by law or contract. In no case shall receipt for payment be taken in duplicate. In all cases of cash payment, the exchange of currency and the receipt for it shall be simultaneous. Practices requiring receipts in advance of actual cash payments are prohibited. The accountable individual making the cash payment shall positively identify the payee. If the payee is not known personally, the accountable individual making the payment shall examine an appropriate identification card which includes both the payee's picture and signature. A comparison of the payee's signature should be made with that appearing on the identification card. For military personnel, the DD Form 2 (Armed Forces Identification Card) or DD Form 2A (Armed Forces Identification Card (Reserve)) should be used. The responsibility for identifying the payee may not be delegated.

★ 010507. Receipts for Collections. Receipts for collections shall be signed personally by the DO or an agent whose designated duties include receipt of collections.

★0106 RESTRICTIVE REQUIREMENTS

010601. Payment of Compensation. The use of public funds for the payment of compensation to any commission, council, board, or other similar body is prohibited by 31 U.S.C. 1346 (reference (e)) unless the creation of the body has been specifically authorized by law.

010602. Accounting for Premiums on Sales of Public Moneys or Securities. Under 31 U.S.C. 3341 (reference (e)), no DO of the United States shall either directly or indirectly sell or dispose of to any person for a premium any Treasury Department note, draft, warrant, or any other public security not of the officer's private property. Further, no officer shall sell or dispose of the proceeds of such note, draft, warrant, or security in the hands of the officer for disbursement without depositing the premium and the proceeds in the officer's accounts to the credit of the United States.

010603. Advances, Prepayments, and/or Overpayments. Except as otherwise authorized under 31 U.S.C. 3324 (reference (e)), advances, prepayments, and overpayments of public monies are prohibited. Certain advances and prepayments are permitted by this volume and Volumes 7, 8, 9, and 10 of this Regulation; Joint Travel Regulations; and Joint Federal Travel Regulations.

010604. Payments to Third Parties

A. General. Subject to the specific exceptions cited in subparagraphs 010604.B through 010604.I, below, the payment of money to a person to whom the United States is not indebted is not authorized. Also, such payment is prohibited even though the claimant to whom the amount is due requests that payment be made to another person.

B. Levy and Distraint for Delinquent Taxes. Salaries and wages of officers and employees of the U.S. Government, including all members of the Armed Forces, are subject to levy and distraint for delinquent federal taxes as prescribed by 26 U.S.C. 6331 (reference (f)). An attachment for other than delinquent Federal taxes cannot be enforced against public money in the hands of a DO and no trustee process, garnishment, or injunction can be recognized by officers of the government with respect to money due creditors of the United States.

C. Payments to Bankruptcy Trustees. A civilian employee or military member may file a chapter 7, 11, or 13 petition in bankruptcy under Public Law 95-598 (reference (g)). During the bankruptcy proceedings that follow, the Bankruptcy Court may order the individual's pay to be forwarded to the Bankruptcy Trustee. Such payments are proper, and DOs incur no additional liability as a result. If the individual is indebted to the United States as the result of a debt incurred prior to the filing of the bankruptcy petition, a setoff against the individual's pay through the date prior to the filing date of the bankruptcy petition should be effected where otherwise appropriate and authorized. The usual percentage restrictions on such a setoff are inapplicable to this situation. Debts that are not completely liquidated shall be

collected in accordance with procedures required by the Bankruptcy Act. Debts incurred after the filing of the bankruptcy petition are collected in the usual manner.

D. Successor in Interest. Payments due contractors may be made to court-appointed trustees, receivers, or other legal representatives under the conditions set forth in Volume 10 of this Regulation.

E. Assignment of Claims. Amounts due or to become due under contracts which provide for payments aggregating \$1,000 or more may be assigned under the procedures outlined in Volume 10 of this Regulation.

F. Authorized Withholdings and Allotments of Pay. Deductions from military and civilian payrolls for various purposes, such as retirement, taxes, health benefits, group life insurance, allotments, and voluntary payments for child support or alimony, and other purposes are provided for by statutory authority.

G. Drawing of Checks in Favor of Financial Organizations for the Credit of Persons' Accounts. Checks in payment of salaries and wages of military members and civilian employees may be drawn in favor of financial organizations for the credit of persons' accounts as prescribed in 31 U.S.C. 3332 (reference (e)) and Volumes 7 and 8 of this Regulation. An example would be: Merchants National Bank, Cr: Tsgt John Doe, Account Number: 346-839, Taylor, MI 04180.

★ H. Garnishment of Pay for Child Support, Alimony, and Commercial Debts. Salaries and wages of military members and civilian employees are subject to garnishment for child support and alimony as prescribed in Public Law 93-647 (reference (h)). Garnishments against civilians' salaries and wages or involuntary allotments against military members' salaries and wages for commercial debts (non-child or spousal support) are authorized as prescribed in Public Law 103-94 (reference (bn)).

I. Withholding of Contract Payments. Payment is to be made to the Department of Labor for amounts owed by contractors to employees under a contract as prescribed in Volume 10 of this Regulation.

010605. Equitable Claims. Claims which are not founded on contracts, either expressed or implied, but upon merely equitable or moral grounds, can be paid only after direct authorization by the Congress. The General Accounting Office has no authority to give credit for such payments even though they are claimed on equitable grounds.

010606. Insurance Fees. The government is self insured (or bonded); therefore, a DO or any of the agents of the DO are not authorized to insure public funds or property.

010607. Municipal Services. In the absence of specific statutory authority, a DO is not authorized to pay for municipal services such as police and fire protection if those services are required to be provided to private citizens at no cost.

★0107 PUNITIVE PROVISIONS

010701. Misuse of Public Funds

A. Disbursing Officers. DOs who convert to their own use, loan, exchange for other funds, or deposit public funds entrusted to them, except as authorized by law, are guilty of embezzlement. DOs who withdraw public funds from the Treasury Department or other public depository for any purpose not prescribed by law, or who wrongfully transfer the public funds entrusted to them, are guilty of embezzlement. Such officers are subject to fine, imprisonment, or both.

B. Agents. Individuals charged as agents who are responsible for the safekeeping of public funds and who loan, convert to their own use, deposit, or exchange for other funds, except as provided by law, any portion of those public funds, are guilty of embezzlement and subject to fine, imprisonment, or both.

010702. Failure to Deposit. Accountable individuals who have funds of the United States in their possession or under their control for the purpose of safekeeping, transfer, or disbursement, and who fail to deposit with the Treasury Department or other authorized depository as required by the Secretary of the Treasury, the Secretary of Defense, or the General Accounting Office, are guilty of embezzlement and subject to fine, imprisonment or both.

010703. Misrepresentation of Payment Amounts. Any person charged with the payment of any appropriation who pays a sum less than that required by law, and requires the recipient of the payment to receipt or give a voucher for an amount greater than what was actually paid, is guilty of an embezzlement.

010704. Failure to Render Accounts. Any officer, employee, or agent of the United States who neglects or refuses to make a report which is required at stated times by any Act of Congress or regulation, shall be subject to fine.

010705. Embezzlement of Public Funds, Property, or Records. Under 18 U.S.C. 653 (reference (i)), DOs or any other accountable individuals shall be guilty of an embezzlement if they in any manner convert funds to personal use; loan funds with or without interest; deposit public funds entrusted to them in any place or in any manner, except as authorized by law; or for any purpose not prescribed by law, withdraw from the U.S. Treasury or any authorized depository, transfer, or apply any portion of the public funds entrusted to them. Persons who embezzle, steal, or knowingly convert to their own use or the use of another; or without authority sell, convey, or dispose of any record, voucher, funds, or thing of value of the United States shall be subject to fine, imprisonment or both. Further, persons who receive, conceal, or convert such

items to their own use or gain, knowing them to have been embezzled, stolen, or converted, are likewise subject to the above punishments.

010706. Falsification of Accounts. Any DO or other accountable individual who with intent to deceive, mislead, injure, or defraud the United States or any person, makes in their accounts or records any false or fictitious entry or record of any matter relating to or connected with their duties is subject to the penalties prescribed by 18 U.S.C. 1001 (reference (i)).

010707. Withholding Pay of Persons in Arrears to the United States

A. Statutory Authority. Under 5 U.S.C. 5512 (reference (j)), the pay of individuals in arrears to the United States shall be withheld until the individuals have accounted for and paid into the U.S. Treasury all sums for which they may be liable.

B. Applicability

1. General. The law applies only to persons who have been entrusted with public funds and who have failed to account for those funds. It does not apply to ordinary debtors of the United States. The fact that charges of embezzlement or other crimes or negligence are not brought against a person in connection with a deficit of public funds does not, of itself, serve to remove the requirement that the person restore the amount for which they are accountable. The findings of a court are not necessarily conclusive as to the amount of the shortage for which the person is accountable. Persons accountable for public funds are accountable for the total of such funds in their possession, in cash or in valid documents representing cash. The portion of such funds which they cannot produce or satisfactorily account for, comprises the amount of the shortage for which they may be held liable.

2. Military Personnel. For instructions covering the withholding of the pay of military personnel in connection with a deficit of public funds or public property, see Volume 7 of this Regulation.

3. Civilian Employees. For instructions covering the withholding of the pay of civilian personnel in connection with a deficit of public funds and public property see Volume 8 of this Regulation.

C. Right of Setoff. The right of setoff shall govern all cases in which a person is both creditor and debtor to the government in any form as prescribed in 31 U.S.C. 3702 and 31 U.S.C. 3728 (reference (e)).

010708. Conspiracy to Defraud the Government. Any person who enters into any agreement or conspiracy to defraud the United States by obtaining or aiding to obtain the payment or allowance of any false, fictitious, or fraudulent claim shall be subject to fine, imprisonment or both as prescribed by 18 U.S.C. 286 (reference (i)).

010709. False, Fictitious, or Fraudulent Claims

A. Penalty. Whoever makes or presents to any person or officer in the civil or military service of the United States, or to any department or agency thereof, any claim upon or against the United States, or any department or agency thereof, knowing such claim to be false, fictitious, or fraudulent, shall be fined, imprisoned, or both as prescribed by 18 U.S.C. 287 (reference (i)).

B. Forfeiture of Unpaid Claims. Under 28 U.S.C. 2514 (reference (k)), a claim against the United States shall be forfeited to the United States by any person who corruptly practices or attempts to practice any fraud against the United States in the proof, statement, establishment, or allowance thereof. Fraudulent claims against the United States may be submitted in connection with civilian and military pay and allowances, contracts and purchase orders, reimbursement of personal funds expended on official business around the permanent duty station, loss and damages, as well as temporary duty and permanent change-of-station travel. A separate determination of fraud shall be made for each item individually claimed on the appropriate claim form.

C. Paid Claims. The forfeiture of claims described above has no application to a claim which has been paid or to the recovery of monies paid out as a result of fraud. However, in any case where payment of an item of pay or allowances is wrongfully obtained, whether through fraud, misrepresentation, or otherwise, such payment is an illegal, incorrect, or improper payment and shall be recouped as prescribed by 28 U.S.C. 2514 (reference (k)) and 41 Comptroller General Decision 285 (1961) (reference (l)).